



Your Social Security Number: The 9-Digit Evolution

Focus on **FINANCE**

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GLOSSARY

Credit report: A loan and bill payment history kept by a credit bureau and used by financial institutions and other potential creditors to determine the likelihood that a future debt will be repaid.

Federal Insurance Contributions Act (FICA) tax: A tax or required contribution that most workers and employers pay. FICA is a payroll tax used to fund Social Security and Medicare.

Income: The payment people receive for providing resources in the marketplace. When people work, they provide human resources (labor) and in exchange receive income in the form of wages or salaries. People also earn income in the form of rent, profit, and interest.

Income tax: Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

Internal Revenue Service (IRS): The federal agency that collects income taxes in the United States.

Phishing: When someone attempts to get your personal information by pretending to work for a legitimate or legitimate-sounding organization, such as a bank or the government.

Social Security: A federal system of old-age, survivors', disability, and hospital care insurance that requires employers to withhold (or transfer) wages from employees' paychecks and deposit that money in designated accounts.

Social Security income: The monthly monetary amount received by retired workers who paid into the Social Security system while they worked.

Taxes: Fees charged on business and individual income, activities, property, or products by governments. People are required to pay taxes.

"There are downsides to everything; there are unintended consequences to everything."
—Steve Jobs

Introduction

Can you imagine living before televisions, microwaves, iPhones, laptops, credit cards, or ATMs? Life has certainly changed with technology and inventions. But there's a huge change that may be overlooked: the Social Security number (SSN). This 9-digit number didn't exist 100 years ago, and people didn't need one. But today, it would be almost impossible to get along without an SSN. So what's the story on how this 9-digit number evolved and became so important? What's the downside to its usage?

The Beginning

The story of the SSN begins during the Great Depression. Millions of people didn't have a job and had little or no **income**. It was an especially hard time for elderly people. This triggered a concern that led to designing a plan for helping the elderly in the future.

In 1935, President Franklin D. Roosevelt signed the Social Security Act. Its main original purpose was to provide financial benefits to people over age 65. When a person retired and was no longer working, **Social Security** would provide an income. This **Social Security income** would be based on the past earnings of the worker.¹ Monthly benefits were scheduled to begin in 1942.²

The Social Security Act required a payroll **tax** for both employees and employers based on workers' earnings. To make this work, the **Federal Insurance Contributions Act (FICA)** was passed in 1935. This Act made the **Internal Revenue Service (IRS)** the collector of payroll taxes.³ These taxes are called "FICA taxes." Employers began deducting payroll taxes from workers' wages in January 1937.⁴ It was the law.

Recordkeeping

To carry out the Social Security Act, the Social Security Board was created. (This was later named the Social Security Administration.⁵) One of the first

Sample SSN Area Numbers and Locations (for SSNs issued before 2011)	
SSN area number	Location
001-003	New Hampshire
159-211	Pennsylvania
252-260	Georgia
400-407	Kentucky
408-415	Tennessee
425-428	Mississippi
429-432	Arkansas
486-500	Missouri
501-502	North Dakota
545-573	California
574	Alaska
575-576	Hawaii

SOURCE: Social Security Administration. "Social Security Number Allocations." Business Services Online (BSO); <https://www.ssa.gov/employer/stateweb.htm>.

tasks of the Board was setting up a recordkeeping system. Beginning in 1937, the earnings of each person covered by the Act had to be tracked. Of course, using a person's name wouldn't work. Can you imagine trying to keep accurate earnings records for those with common names such as John Smith or Jane Jones? Several tracking plans were considered, such as using a combination of letters and numbers or using fingerprints.

The chosen solution was to use a 9-digit number divided into three parts: area number, group number, and serial number. The first three digits, called the area number, represented the state in which the SSN was issued. (See boxed insert, "Sample SSN Area Numbers and Locations.") Generally, lowest area numbers were given to people on the East Coast. Higher numbers were given going westward. However, this was not always true. For example, a worker could apply in person for an SSN in any Social Security office. The area number would reflect that office's location, regardless of where the worker lived.⁶ The next two digits, called the group number, were determined by issuing numbers in groups to issuing offices. The last four digits, called the serial number, represented the order within each group.

But issuing SSNs was a work in progress. At first, the U.S. Postal Service issued SSNs. At this time, there were

approximately 45,000 post offices across the nation. From these, 1,074 post offices were called on to be "typing centers" to issue Social Security cards and SSNs. In November 1936, the first SSNs were issued by these typing centers and thousands of people were given their 9-digit number. The post office did not keep the records. They were sent to the main Social Security Office in Baltimore, Maryland.⁷ Within about six months, approximately 35 million SSNs had been issued.⁸

By mid-1937, Social Security field offices took over the job of issuing SSNs. In 1972, after computer-based systems became available, all SSNs were issued from the central Social Security Administration (SSA) office in Baltimore, Maryland. With this change, the area number was assigned based on the ZIP code of the mailing address provided on the application.⁹

But all of this changed in 2011. This was when the SSA began randomly assigning SSNs. The pool of available SSNs was shared across all states.¹⁰ The first three digits of SSNs issued after 2011 don't reflect any state or location. By sharing all the available SSNs among all the states, the pool of numbers will last longer. For example, a state that is gaining population will need more SSNs in the future. A state that is losing population won't need as many. The new system does not affect previously issued SSNs and only applies to new applications after 2011.¹¹

SSN Usage

The use of SSNs has been growing. The trend began in 1943 when federal agencies were required to use SSNs for identifying individuals in any new record system.¹² And when computers were introduced, SSN usage soared.

Laws have increased the use of SSNs. (See boxed insert, "SSN Timeline.") For example, the IRS began using SSNs for federal **income tax** reporting in 1962. And the IRS requires banks, insurance companies, and employers to collect SSNs. Low-income families must provide SSNs for school lunch programs or to receive food stamps. These and many other laws have supported the use of SSNs.

More and more businesses have begun using SSNs, too. Today, an SSN is required for so many things! You have to provide your SSN to open a checking or savings account, get a loan, find a job, file taxes, rent an apartment, apply for credit, or get insurance.

SSN Timeline	
Year	Changes made by laws
1943	Federal agencies required to use SSNs to identify individuals in any new record systems
1962	IRS begins using SSNs for federal income tax reporting
1970	Banks required to obtain the SSNs of all customers
1975	SSNs required to receive federal benefits
1976	States could require SSNs for taxes, eligibility for state programs, driver's licenses, and motor vehicle registrations
1977	SSNs required to receive food stamps
1982	SSNs required for federal loan programs
1983	SSNs required for all interest-bearing accounts
1987	SSA begins process for parents to apply for SSNs for newborns by giving information to hospitals
1989	SSNs required for school lunch programs
1989	National Student Loan Data system required to include SSNs of borrowers
1996	SSNs required to be recorded on numerous official documents including professional licenses, driver's licenses, death certificates, birth records, divorce decrees, and marriage licenses
1999	SSNs no longer required to be shown on driver's licenses and birth records
2004	States prohibited from displaying SSNs on driver's licenses or motor vehicle registrations
2008	The 1943 requirement for all federal agencies to use the SSN as an identifier rescinded

SOURCE: Puckett, Carolyn. "The Story of the Social Security Number." *Social Security Bulletin*, 2009, 69(2); <https://www.ssa.gov/policy/docs/ssb/v69n2/v69n2p55.html>.

The Social Security Card and SSN

To get an SSN, a person must fill out the Form SS-5 application for a Social Security card. The application asks for date of birth, place of birth, and full name given at birth. The form also asks for other things such as the mother's maiden name and parents' SSNs.¹³

From the beginning, people were concerned. Would this personal information collected for an SSN be kept confidential? The SSA has continued to protect the information and safeguard the integrity of the SSN.

The Social Security card has had over 50 designs to date. Some people have cards with different designs, but all designs are valid. With SSNs being used for more purposes, newer cards are designed to prevent counterfeiting.¹⁴

Tips to Prevent Identity Theft

- Check your credit reports. (www.annualcreditreport.com)
- Review bank, credit card, and medical statements.
- Shred all documents containing personal information.
- Delete emails, text messages, and voicemails that ask for personal information.
- Create strong passwords for accounts.
- Use only secure websites beginning with "https" when shopping or banking online.
- Do not carry your Social Security card in your wallet.

Identity Theft

Your SSN is required often, and that means it is recorded in many places. But can you count on everyone who collects your SSN to protect it properly? Probably not.

The SSN is a key piece of information used to commit identity theft. Criminals can steal SSNs in several ways. They may get your SSN from workplace records, mail, stolen wallets, or public records. Or thieves may use high-tech ways such as **phishing** or hacking into a computer database.

When criminals steal an SSN, they steal an identity. They can use an SSN to file an income tax return in your name and steal your refund. Thieves can open a new credit account in your name or get access to an account you already have. A stolen SSN may be used to get a job or take out a loan in your name. Having your SSN can also help thieves get any government benefits you may have.¹⁵ A stolen SSN can open ways for criminals to find other personal information, too. All of these can cause a lot of problems that can show up on your **credit report**. (See boxed insert, "Tips To Prevent Identity Theft.")

New Markets Created

In recent times, there have been many reports of personal data being stolen. This has increased the concern for protecting personal data—including your SSN. For example, "shred days" are often organized for safely destroying documents that have personal data. Office supply stores have responded by stocking shelves with crisscross shredders.

The demand for greater protection has created new markets. Millions of U.S. consumers spend billions of dollars

buying products and services that claim to protect personal data. Businesses that offer these many services have sprung up. They advertise online subscriptions and trial offers. Many plans offer an automatic direct billing of monthly fees to your credit card. Some plans promise to monitor credit card, debit card, and bank accounts. And even special plans for “Identity and Social Security Number Alerts” are available.

In response to identity theft concerns, SSN usage shows some decline. For example, laws have changed to prohibit using SSNs on driver’s licenses or requiring them on birth records. These and other actions show change as a solution to solving a problem—and change will continue.

Conclusion

In 1935, President Roosevelt signed the Social Security Act. The Act was designed to provide benefits to workers when they reached retirement age. The amount of benefit payments would be based on earnings. So the SSN was created for accurately tracking the earnings of workers. That is still the primary purpose for the SSN.¹⁶

But it has become so much more. This unique number assigned to each individual is an easy way to identify a person. Technology has increased its usage, and in many cases the law requires it. For these reasons, the SSN has become an important 9-digit number that follows a person throughout a lifetime. But there’s a downside to the increased use of SSNs: identity theft. Identity theft and the need for increased security have opened a whole new industry for identity protection.

President Roosevelt planned for the future. But he could not have possibly foreseen the future of the SSN. He might be surprised to read the story of the 9-digit SSN and the unintended consequences of its popularity. ■

Notes

¹ Covered employment initially covered only about half the jobs in the country, which were in commerce or industry. See Martin, Patricia and Weaver, David A. “Social Security: A Program and Policy History.” *Social Security Bulletin*, 2005, 66(1); <https://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p1.html>.

² Martin, Patricia and Weaver, David A. “Social Security: A Program and Policy History.” *Social Security Bulletin*, 2005, 66(1); <https://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p1.html>.

³ Disability Benefits Center. Federal Insurance Contributions Act; <https://www.disabilitybenefitscenter.org/glossary/federal-insurance-contributions-act>.

⁴ Martin and Weaver, 2005. See footnote 2.

⁵ In 1946, the Social Security Board became the Social Security Administration (SSA); <https://www.ssa.gov/history/orghist.html>.

⁶ Puckett, Carolyn. “The Story of the Social Security Number.” *Social Security Bulletin*, 2009, 69(2); <https://www.ssa.gov/policy/docs/ssb/v69n2/v69n2p55.html>.

⁷ Social Security Administration. “Social Security Numbers: The First Social Security Number and the Lowest Number”; <https://www.ssa.gov/history/ssn/firstcard.html>.

⁸ Puckett, 2009. See footnote 6.

⁹ For earlier-issued numbers, the area number represents the state of birth. The following link will tell what area numbers go with each state: Social Security Administration. “Social Security Number Allocations.” Business Services Online (BSO); <https://www.ssa.gov/employer/stateweb.htm>.

¹⁰ Social Security Administration. “Social Security Number Randomization.” Business Services Online (BSO); <https://www.ssa.gov/employer/randomization.html>.

¹¹ Social Security Administration. “Social Security Number Randomization Frequently Asked Questions.” Business Services Online (BSO); <https://www.ssa.gov/employer/randomizationfaqs.html>.

¹² Puckett, 2009. See footnote 6.

¹³ Form SS-5 can be found at <http://www.socialsecurity.gov/online/ss-5.pdf>.

¹⁴ Puckett, 2009. See footnote 6.

¹⁵ Federal Trade Commission. “Security in Numbers: SSNs and ID Theft.” Federal Trade Commission Report, December 2008; <https://www.ftc.gov/sites/default/files/documents/reports/security-numbers-social-security-numbers-and-identity-theft-federal-trade-commission-report/p075414ssnreport.pdf>.

¹⁶ Puckett, 2009. See footnote 6.

Name _____ Period _____

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After reading the article, select the best answer to each question.

1. The first SSNs were issued
 - a. only in person at the Social Security Headquarters.
 - b. in the same year that the Social Security Act was signed.
 - c. by the Internal Revenue Service.
 - d. by the United States Postal Service.
2. Payroll taxes are collected by
 - a. the Social Security Administration.
 - b. the Internal Revenue Service.
 - c. each of the Social Security field offices.
 - d. the United States Postal Service.
3. Today, an SSN is required
 - a. to be displayed on a driver’s license.
 - b. to file federal income taxes.
 - c. to be displayed on birth certificates.
 - d. for exactly the same things as in 1920.
4. Identity theft of your SSN can be very damaging. One effective way to prevent the theft is to
 - a. always carry your Social Security card with you.
 - b. monitor your credit report.
 - c. never share your SSN for any reason.
 - d. choose not to pay FICA tax.
5. The original purpose of the SSN was to
 - a. help banks keep track of accounts.
 - b. maintain accurate records of workers’ earnings.
 - c. maintain accurate birth and death records.
 - d. help prevent identify theft.
6. The SSA began randomly assigning SSNs in 2011. This system
 - a. assigns SSNs according to a person’s state of birth.
 - b. assigns SSNs according to the zip code of individuals.
 - c. changed the meaning of the area number.
 - d. changed the number of digits in the SSN.

7. A person received an SSN in 1995. The first three digits of the SSN are 429. In what state did this person probably live in 1995?
 - a. Arkansas
 - b. New Hampshire
 - c. Tennessee
 - d. California

8. Technology and laws have
 - a. affected the SSN's popularity and usage.
 - b. made it more difficult to apply for an SSN.
 - c. not changed the SSN's usage.
 - d. not changed since the first SSN was issued.

9. Payroll taxes are commonly called "FICA" taxes and are
 - a. determined by where you live.
 - b. paid only by an employee.
 - c. paid only by an employer.
 - d. based on the amount of a worker's earnings.

10. The concern for identity theft has
 - a. decreased with the increased use of the SSN.
 - b. created a whole new industry for identity protection.
 - c. increased with the decreased use of the SSN.
 - d. remained the same for the past 100 years.